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CENTRAL INTELLIGENCE AGENCY

REPORT NO.

By: 029

# INFORMATION REPORT

Germany (Russian Zone)

DATE DISTR. 8 March 1948

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**Dissolution of the Central Administrations  
in the Russian Zone**

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# EVALUATE

1. According to Leo Skrzypczynski, President of the Central Administration for Industry, the dissolution of the Central Administrations in the Russian Zone had long been necessary. The system of dividing jurisdiction between the Central Administrations and the old Economic Commission was not successful, and resistance of the Land governments to Central Administration directives threatened the entire economy of the zone. Reorganization of the Economic Commission, revision of the functions of the Central Administration, and re-constitution of the relations between central and Land organizations had become inevitable.
2. Although this necessity had long been recognized, the Central Administrations did not expect to be dissolved, until shortly before the actual occurrence. Except for a few Communists who had been informed of the impending action, most of the top-level personnel of the Central Administrations believed that their organization would continue, although probably with title and personnel changes. Some felt that the Central Administrations would be maintained in principle but would be merged with the Economic Commission.
3. The complete removal of the Central Administrations in the Economic Council meeting on 9 March 1948, therefore, had the atmosphere of a coup d'etat. Some advance notice had been given two weeks before by the establishment of Minister Rau of Brandenburg in the Central Administration office and by the intensive activity of Communists within the group. During this period, in the growing confusion, two controversial currents were particularly felt: the slight and weak resistance non-Communist Central Administration personnel could make to the Communist advance, and the competition of the Communists among themselves. On the first point, Skrzypczynski, largely through his vice president, Dr. Mischler, tried to oppose the directives given and the intrigues engendered by Rau and his adherents; Mischler even appealed to Karlshorst, but in vain. On the second point, there was a struggle between Leuschner, former

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head of the Economic Commission, a Communist, and Rau, which ended with Rau's election as president of the new Economic Council.

4. Rau's most effective backing came from Walter Ulbricht, who played a dominant part in the planning and execution of the coup. He advised the Russians whom to eliminate and whom to include in the new organization and in what functions. Ulbricht was undoubtedly guided by his long-cherished desire, previously restrained by the Russians, of removing all non-Communist key officials from the economic administration and replacing them with "reliable" Communists. This was his opportunity to fill all the "politically open" posts. It is to be expected that President Pfizner, Vice President Dr. Mischler, and the statistician Professor B. Gleitze will soon be forced out.
5. In Skrzypczynski's opinion, the abrupt dissolution of the Central Administrations was too radical and too confused. Two years of administrative work was destroyed at one stroke, and the re-formed Economic Commission will hardly be in a position to rebuild it in a short time and to reestablish the administrative and economic connections between the zonal and lower level services. The continuity and efficiency of work are also much endangered by the dismissal of personnel for political reasons.
6. Skrzypczynski's explanation of the Russian motives for this action, in order of priority, is the following:
  - a. The Russians actually wanted to increase the efficiency of the economic administration in the Russian Zone, which was not up to the highest standard.
  - b. They wanted to surpass the western powers in organization and thus in propaganda value. The reorganization of the Russian Zone economic administration was a counter to the bizonal or possibly trizonal administration.
  - c. Upon the advice of Ulbricht, Rau, and their coterie, the Russians wanted to purge the economic administration of untrustworthy elements. By the final date of 1 April 1948, only reliable Communists or otherwise trustworthy persons should be in key positions.

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